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# CANADA AND RECIPROCITY.

BY JOHN CHARLTON, M.P.

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AFTER more than thirty years of indifference and scant knowledge concerning matters pertaining to trade relations with Canada, the American people are now awakening to a sense of the importance of the question, and are becoming aware of the great volume of Canada's existing trade, and of future possibilities.

In the history of the two countries, there was a period of twelve years, from 1854 to 1866, when their trade relations were of a mutually advantageous character, and were exerting a powerful influence in the creation of community of interest and the broadening of mutual relations. The Civil War in the United States gave rise to circumstances that aroused unfriendly feeling toward Canada in that country, based upon misapprehension as to facts, for the great majority of Canadians were friendly to the Union. A mistaken impression that the treaty was much more favorable to Canada than to the United States was also entertained by the majority of Americans. For the period during which the treaty was in force, the balance of trade was decidedly in favor of the United States. According to Canadian trade returns, the total imports and exports, 1854 to 1866 inclusive, were:

Imports from the United States.....	\$332,927,000
Exports to the United States.....	259,875,000
Balance of trade in favor of the United States.....	73,052,000

These returns did not include Prince Edward Island, Newfoundland, and British Columbia.

According to American returns, the total exports and imports to all of British North America, 1854 to 1866 inclusive, were:

Exports to British America.....	\$343,326,000
Imports from British America.....	318,760,000
Balance in favor of the United States.....	24,566,000

It is true that for the last three years of the reciprocity period the balance of trade turned, at first slightly, and for the last year decidedly, in favor of Canada. This was due to the abnormal demand for horses and certain lines of agricultural and animal products, caused by the Civil War, and to the forced export of 1865--6, under the stimulus of the twelve months' notice of abrogation of the treaty; but the operation of normal conditions would have assured the maintenance of trade balances favorable to the United States. During this period of free trade in natural products, there was no extensive export of manufactures to Canada, as is the case at present; and the condition of things in this respect now existing would, with free trade in natural products, give to the United States a much larger relative balance of trade. Another circumstance that caused the favorable balance of trade to the United States to appear much smaller than was actually the case was, that no inconsiderable portion of the exports from Canada to the United States consisted of products passing through the United States for export, the direct export trade of Canada with Great Britain by the St. Lawrence route being at that time very small, as far as related to farm products.

Following the abrogation of the Reciprocity Treaty in 1866, came an attempt to renew reciprocal trade relations in 1874 through a reciprocity treaty negotiated by the British Minister, Lord Thornton, and the Canadian Commissioner, George Brown, with the United States State Department. This draft treaty put natural products on the free list, and enlarged the provisions of the treaty of 1854 by putting upon the free list all kinds of agricultural implements, and a list of thirty-seven other classes of manufactures including gray cottons, denims, tickings, tweeds, satins, leather and leather goods, printing-presses and types, engines, cabinet ware, carriages, wagons, and other wheeled vehicles, iron bar, pig, nails, spikes, etc., locomotives, printing-paper, railroad-cars, steel wrought or cast, etc. Had this treaty gone into operation, it would have brought Canada and the United States into business and social relations so intimate that it is an interesting question to what extent the blending of the two people in interests and affinities, political and social, would have gone. The United States Senate took occasion to give an example of supreme folly, by refusing to ratify this treaty.

Succeeding this abortive attempt to secure a broadening of

trade relations between the two countries, came a period of absurd fiscal legislation by the United States, as relates to Canada, under which we are still living. This legislation dwarfed the export trade from Canada to the United States, which, after first eliminating from the returns gold, bullion, and coin, is scarcely greater in 1904 than it was in 1866. The scale of duties seems to have been designed to prevent the sale of Canadian products in the American market. During all this period, the Canadian fiscal policy has been liberal and the Canadian tariff rates moderate, so moderate indeed as scarcely to offer an obstacle to the growth of the American export trade to Canada. From 1866 to 1876, the duty upon the great bulk of Canadian dutiable imports was 15 per cent., and from 1876 to 1897, 17½ per cent. For the year 1903, the Canadian duty upon total imports from the United States was 12¼ per cent., and upon dutiable imports from that country 24½ per cent., while the average scale of American duties was 24 per cent. upon total imports, and 49 per cent. upon dutiable.

From 1874 onward, Canada was forced by her failure to gain admission to the markets of the United States, to secure markets for her products elsewhere. The great success attending her efforts in this direction is illustrated by the trade returns of 1903 as contrasted with those of 1866.

<i>Canadian export of farm products.</i>	<i>1866</i>	<i>1903</i>
To the United States.....	\$25,042,000	\$9,200,000
To Great Britain.....	3,544,000	97,200,000
To all other countries	inconsiderable	8,034,000
		<hr/> \$114,434,000

One of the unexpected trade developments of late years is the growth of an extensive demand in various parts of Canada for American farm products, and the fact that this demand has turned the tide of trade in this line in the direction of Canada. The Canadian market for American farm products is found in British Columbia and the Yukon and the Klondike region, in the Maritime Provinces of New Brunswick, Nova Scotia, and Prince Edward Island, and in the lumbering and mining regions of Ontario; and for Indian corn, hides, flaxseed, wool, tobacco leaf, etc., in all parts of the Dominion.

In the fiscal year 1902--3, the importation of farm products

into Canada for consumption, from the United States, was as follows: Dutiable farm products, \$6,909,000; free farm products, \$14,672,000—a total of \$21,581,000. The same year the export of farm products to the United States was \$9,200,000, the Canadian excess of imports above exports from the United States being \$12,381,000. The dutiable portion of the imports was subject to the same rates of duty, substantially, as were imposed by the United States upon articles of the same class imported from Canada. This condition of the trade leads to the conclusion that if free trade in farm products existed, the importation by Canada from the United States for domestic consumption would equal export in the same line to the United States for consumption. This, of course, would not apply to wheat, flour and other articles of which both countries have a surplus for export, as the United States in importing such products would export either them or a corresponding amount of United States products, and they would thus practically act as a factor securing for American transportation routes, millers, dealers and commission men a profitable and in every way desirable trade.

The total imports of Canada from the United States for 1902-3 were \$144,763,000; the total exports \$71,209,000; the balance of trade against Canada being \$73,554,000. Of the exports, \$18,807,000 consisted of precious metals. The imports for consumption were \$137,605,000, and exports the produce of Canada \$67,766,000, which included Klondike and Yukon gold.

The total imports of Canada from Great Britain for 1902--3 were \$59,080,000; the total exports \$131,200,000, the balance in favor of Canada being \$72,120,000. The imports of Canada from the United States for this year exceeded the imports from Great Britain by the sum of \$85,683,000. The exports of Canada to Great Britain exceeded the total exports to the United States by the sum of \$59,991,000. The total trade of Canada for this year was: With the United States, \$215,972,000; with Great Britain, \$190,280,000; the difference in favor of United States being \$25,692,000. The Canadian free list for American imports last year amounted to \$69,485,000, and embraced the following articles and amounts: manufactures, \$23,000,000; forest product, lumber, etc., \$4,986,000; Indian corn, \$3,250,000; flaxseed, \$1,303,000; tobacco leaf, \$2,241,000; hides and skins, \$2,612,000; wool, \$307,000; sundry agricultural products, \$2,030,000; sundry ani-

mal products, \$2,267,000. The same year the American free list upon Canadian imports covered saw-logs, pulpwood, nickel-matte, hop-poles, undressed furs, grease, animals for breeding purposes, shingle-bolts, and a few more minor articles.

The non-progressive character of the Canadian export trade to the United States is shown by the fact that, while the export in 1866 amounted to \$44,000,000, the export in 1903, less precious metals and articles not the produce of Canada, was no more than \$48,959,000. On the other hand, a comparison of Canadian import returns from the United States will show remarkable increase as the subjoined table will demonstrate.

*Canadian imports from United States for consumption.*

1866	.....\$28,794,000	1900	.....\$109,844,000
1890	.....52,291,000	1901	.....110,485,000
1896	.....54,574,000	1902	.....120,814,000
		1903	.....137,600,000

The expansion has been a remarkable one since 1896.

The disparity of increase between the export and import trade of Canada with the United States is attributable directly to the character of the tariffs of each country. Since 1866, that of the United States has been practically prohibitive, the spirit in which it was formed being apparently the desire to buy little and sell much, and to refuse to meet all countries upon the basis of a fair exchange of commodities. During all the years since 1866, American tariff rates have not gone lower than 24 per cent. on total imports and 49 per cent. on dutiable imports, except possibly for the brief period during which the Wilson bill was in force. During the same period, Canadian tariff rates have not been higher than 12½ per cent. on total imports, and 24½ per cent. on dutiable imports from the United States, and in consequence of the operation of these tariffs, the antipodes of each in character, United States exports to Canada have swelled to a vast volume, and Canadian exports to the United States have been held at a standstill. It is the fruits of these two tariff policies that have given rise in Canada to a strong protectionist movement, which seems certain to result, so far as the United States is concerned, either in the adoption of the American system by Canada, or in a marked lowering of tariff barriers by the United States.

It is a significant fact that, while the exports of the United States to Canada during the Reciprocity period consisted to a

moderate extent only of manufactured articles, the exports for the last six years have consisted of manufactured articles to an extent of over one-half of the entire amount, thus clearly indicating that if the balance of trade from 1854 to 1866, with free trade in natural products and no demand in Canada for American farm products, was in favor of the United States, now, with a heavy Canadian demand for such products and with a vast demand for manufactures, free trade in natural products would not prevent a heavy annual balance of trade in favor of the United States.

The subjoined table, showing the Canadian importation of manufactures from Great Britain and from the United States since 1898, will be of interest, especially when taken in connection with the fact that Canada has given a tariff preference to Great Britain first of 12½ per cent., 1897 to 1898, then of 25 per cent. to 1900, and of 33 1-3 per cent. since that time.

*Canadian Imports of Manufactures.*

	From Great Britain.	From United States.
1898 .....	\$26,243,000	\$41,510,000
1899 .....	31,187,000	49,362,000
1900 .....	37,328,000	60,473,000
1901 .....	36,469,000	62,643,000
1902 .....	41,675,000	69,536,000
1903 .....	50,473,000	76,291,000

This great increase in the sale of manufactures by the United States to Canada between 1898 and 1903, in the face of the Canadian preference in favor of British imports, gives evidence of the strong hold that the American manufacturer has upon the Canadian market, and of his ability to meet all competitors in that market upon equal terms.

The Dominion of Canada is the third largest customer of the United States among the nations of the world, and is the largest customer for manufactured goods. In the year 1902, the exports of the United States to Canada exceeded by \$36,814,000 her total exports to Mexico, the Central-American States, and all of South America from Panama to Cape Horn.

The question whether this great market is worth making an effort to retain, is worthy of the serious consideration of American statesmen. That there is danger of its being seriously curtailed does not admit of doubt. Canadians are restive under present trade conditions. Their purchases from the United States last year, leaving precious metals, coin and bullion out of the

calculation, were \$280 for every \$100 sold to that country. Their great balance of trade against Great Britain was used up in discharging the United States' balance against them. This state of matters cannot be continued. One remedy, that of broadening and making more liberal its trade policy, can be applied by the United States. Another remedy, that of making its own trade policy the counterpart of that of the United States, can be applied by Canada. In the near future, unless the United States applies the remedy at her disposal, Canada will be morally certain to imitate the American example and oppose stringent legislative restrictions to the natural course of trade.

The present importance of this question is great. Its future importance is infinitely greater. In the Canadian Northwest, as yet practically untouched, is a wheat-growing area as large as eight States like Illinois. Where now there are a few hundred thousand inhabitants, there will be teeming millions, and the 60,000,000-bushel wheat crop of the present year will be swollen to a figure that will make this great region the granary of food-purchasing nations. English statesmen comprehend the importance of the trade of Canada, and are evolving shadowy and theoretic schemes for preferential trade within the Empire, and possibly an Imperial zollverein, the fundamental basis of which is to be the creation in the Colonies of a preserve for British manufactures, from which foreign competitors to as great extent as possible shall be shut out; at the cost to Britain of preferential duties in the home market, as moderate as possible, for a limited list of Colonial products.

This preferential scheme is now engaging the attention of the Canadian public. Various circumstances predispose Canadians to look upon it with favor. There is soreness over the Alaskan boundary settlement. There is a sense of injustice suffered at the hands of the United States in the character of their trade policy toward Canada. There is a charm about the idea of receiving preference over foreign countries in the British market, and the proposed policy appeals strongly to the Canadian sense of loyalty. The day has now come for the United States to abandon a wrong position and retrace false steps, and it is already high noon of that day. No fear need be entertained of being too liberal with Canada. The greater the liberality of treatment the more satisfactory will be the results. The policy should be to draw Canada



to the United States and not, as heretofore, to repel the country and constantly widen the gulf of separation and estrangement. American statesmen should at once decide, without hesitation or haggling, to offer Canada reciprocity in all natural products, in return for the substantial continuance of present Canadian tariff conditions. This would be a return to the tariff conditions of the old reciprocity period, with general trade conditions so radically changed that now Canada is a large importer of farm products for consumption, and that the United States is an exporter on a large scale of finished wares to Canada—two conditions that did not exist in the period between 1854 and 1866.

American farmers and lumbermen have hitherto opposed the free importation of Canadian lumber and farm products. Their fears as to the reduction of prices consequent upon free importation is a bugbear. No such effect as they fear would follow. In the case of products of which both countries have a surplus, such as wheat, flour, meats, etc., free interchange would not affect prices in the United States, for market rates are determined by the price received for the surplus. Had the entire wheat surplus which Canada had for export last year been sent to the United States free of duty, prices would not have been depressed in the slightest degree. The Canadian wheat so imported would either have been exported or would have displaced a corresponding amount of American wheat and flour for export. The result would have been that the competition of American buyers in Canada would have resulted in higher prices for the Canadian producer, while American transportation routes, millers, dealers, and commission men would have benefited by increased trade.

In the case of Canadian products imported into the United States for consumption, it will be found upon examination that the volume of imports is so insignificant in amount, compared with the volume of American production, as to be incapable of influencing American prices. The total export of eggs last year from Canada to all the world did not amount to one per cent. of the American production, and would not have made two eggs *per annum* for each inhabitant of the United States. The total export of Canadian lumber to the United States, including what went through in bond for export, was only two per cent. in amount of the production of sawn lumber in that country for the same year. Taking, for the purpose of making a comparison, the

United States Census returns of 1900 and the Canadian export returns of 1902, the proportion of Canadian export to American production in various products was as follows: wheat, 1 dollar to 700; oats, 1 dollar to 5,500; barley, 1 dollar to 2,400; potatoes, 1 dollar to 1,700; hay, 1 dollar to 200. The Canadian export of live animals compared with the value of stock in the United States was as follows: horses, 1 dollar to 3,000; cattle, 1 dollar to 5,000; sheep, 1 dollar to 200. The absurdity of supposing that Canadian exports under these relative proportions, or even if the export was increased tenfold, can produce any appreciable effect upon American prices, is too apparent to need enlarging upon.

Free trade in natural products, and all other products, has continued in the United States since the Constitution was adopted. In that country, there is great variety of soil, climate, productions, and cost of production, but free trade has been found to be mutually advantageous to all the States. The same policy will apply with equal force to Canada.

The Chamberlain proposition for Colonial preferential trade creates a complication in the reciprocity issue at the present time. Last year Mr. Chamberlain spoke almost contemptuously of the Canadian preference in favor of Great Britain, of 33 1-3 per cent., and declared that its effects were disappointing, and that it was chiefly valuable as an evidence of loyal sentiment. This estimate of value was wide of the mark. The preference had actually rescued the British export trade to Canada from practical extinction. This trade had gone down from \$68,000,000 in 1873 to \$29,000,000 in 1897. The effect of this Canadian preference has been to bring this trade up to \$59,000,000 in 1903. For the substantial benefits it has conferred, Great Britain has not made the slightest return, has indeed scarcely made an acknowledgment. Canadian cattle are scheduled and must be slaughtered upon arrival, and Canada was given no preference when the registration tax of about four per cent. upon grain was imposed. Now Mr. Chamberlain proposes a preferential tax upon certain articles for the benefit of the Colonies. He calls this proposed tax a moderate one, which it certainly is. The limit is to be two shillings, sterling, per quarter of eight bushels upon wheat, a corresponding tax upon flour, five per cent. upon eggs and dairy products, and a duty, amount not stated, upon fruit and wine, in neither of which would Canada have much interest. In return

for this preference, Mr. Chamberlain informed his hearers at Glasgow that Canada would be expected to abstain from entering upon new lines of manufacturing not already established, and to give Great Britain substantial advantages in competition with foreign states. No recognition is made of the present Canadian preference. It is, apparently, to count for nothing; and yet last year it effected a saving of duty to the British exporter of \$2,700,000 from the regular tariff rates. The proposed Chamberlain preference on the Canadian exports for 1902 would amount to \$3,600,000; but it is doubtful whether Colonial products would be enhanced in price to the amount of the duty, as compared with prices that would obtain if no duty was imposed; and it is probable that the present Canadian preference is a full equivalent for the preference proposed by Mr. Chamberlain.

In the event of Mr. Chamberlain's proposed policy being endorsed by the British electorate, so far as the proposal to protect British industries from foreign competition is concerned, Canadian sympathies and good wishes will go with him and his party, and it is not to be supposed that Canada will object to preferential treatment in the British market. All will turn upon the question of what the privilege will cost; and, when the time comes to attempt to adjust details, we shall step from the realm of sentiment to that of hard prosaic fact, and it is more than possible that the reconciliation of Imperial and Colonial expectations and views will be found to be a task that cannot be accomplished by the best efforts of those who will be called upon to attempt to harmonize Imperial demands with Colonial interests. At this juncture, there will also be the possibility of another complication arising. Sixty-eight per cent. of Britain's export trade is with foreign countries, thirty-two per cent. with her Colonial Empire, including India, less than three per cent. of this latter amount being with Canada. Is it not more than possible that the hostility of the United States and other foreign Powers will be provoked? No objection can reasonably be made to the adoption of the protective system by Great Britain; but a preferential system between Britain and her Colonies may not be viewed with the same degree of complacency, and, whether justly or not, complications may arise of a most embarrassing and undesirable character.

The advantages offered to Canada by Mr. Chamberlain's proposal for a moderate preference on half a dozen articles, would

be trivial compared with the advantages that would fall to Canada from reciprocity with the United States in natural products. Reciprocity is preference. If the United States removes the duty from any article in favor of Canada and retains that duty against other countries, then Canada has a preference in the American market to the extent of that duty. Under this view of the case, the American preference on wheat would be 25 cents, British 6 cents; American preference on flour 25 per cent., British preference 8 per cent.; American preference on eggs, cheese, and butter, an average of 25 per cent., British preference 5 per cent.; and, beyond the list of articles covered by the proposed British preference, would be barley and other grains, beans, potatoes, turnips, hay, lumber, ties, posts, telegraph-poles, cattle, horses, sheep, poultry, meats, garden vegetables and roots, fruits, ores, stone, lime, cement and many other articles upon which the American preference to Canada would be expressed by the rates of duty now levied. To sum up the matter in a sentence: the proposed British preference is sentiment; American reciprocity in natural products would be business.

In the future, the bearing of the relations of Canada with the United States will have much influence upon the relations between the United States and Great Britain. Under some circumstances, this influence may be a paramount one. With the question of better trade and political relations with the United States, is bound up influences that will in a marked degree influence the future of the English-speaking race upon the North-American continent. It is not the present or the immediate future alone that demands consideration. The day will come when four hundred million people who speak the English tongue will occupy the seven million square miles which the Anglo-Saxon now possesses in America. Shall this great future be one of harmony, where justice, truth, good-will and mutually advantageous relations shall prevail? Heaven grant that it may; and let all thoughtful, well-meaning men in the two countries realize that the words and actions of Canadian and American jingoes are not in the interests of the future myriads for whom we are now laying down the lines.

JOHN CHARLTON.